

Despite decades of international attention, the Russian forest sector remains acutely criminalized. The forests of Eastern Russia, which once sustained a vibrant timber products manufacturing industry, employing hundreds of thousands of people across the region, is now overrun by timber mafias that operate with impunity, sourcing wood from roving brigades who routinely flout laws and pay bribes to secure continued access to high value hardwoods. While some courageous local organizations and forest officials in Russia remain committed to protecting their forest resources, illegal timber harvesting remains the status quo in the RFE.

This crisis is debilitating the RFE economy, destroying key ecosystems for local communities and the habitat for the last Siberian tigers, while simultaneously robbing governments of much-needed revenue and undermining legitimate business operators around the globe who are making every effort to compete with legal products.

Russia has recently begun to crack down on the systemic illegal logging that is ravaging its forests, arresting kingpins of organized criminal networks. Such efforts are a necessary feature of an effective response to this crisis, deserving support from the international community, but much more remains to be done to effectively reform forest management practices and governance in Eastern Russia. These nascent efforts are unlikely to deliver significant impact for the forests of the Far East if cheap, illegal wood products are still welcomed by the international market. Leading consumer governments have recognized the role of

indiscriminate sourcing and international market demand in driving and perpetuating the illegal logging crisis. Many have responded by enacting new policies to prohibit the flow of illegally sourced timber and wood products.

These new laws are decreasing illegal logging rates around the world, helping to mitigate climate change, and transforming market behavior. Corporations are now faced with a decision to either clean up their sourcing practices or continue buying the cheapest wood they can without regard to its origins, risking reputational and financial repercussions as well as possibly criminal penalties. While increased awareness of the demand for legality is driving markets in a positive direction, there are still many who choose to roll the dice and skirt the laws. Effective and consistent enforcement of these new consumer country laws provides a significant deterrent effect that will powerfully motivate companies to continue to more proactively ensure legal sourcing and solidify the market transformation that began with their passage.

EIA's investigation demonstrates that it is possible to track wood through opaque processing centers in China to its ultimate destination in showrooms around the world. As the largest purchaser of timber from Eastern Russia, China has a particular responsibility to stem the flow of illegal timber by enacting a clear prohibition on illegal timber imports destined for both subsequent export and domestic end use. China's failure to act will imperil the viability of its growing manufacturing base, as key consumer markets clamp down on illegal wood imported from

Companies violating the law must be held to account for the devastating impact of their indiscriminate sourcing practices on the forests and people of the world.

China. Just as the Lacey Act in the United States was passed with the support of its domestic industry that was concerned about being undercut by cheap, illegal products, new regulations to prohibit illegal imports will support the competitiveness of China's rapidly growing domestic industry.

EIA's investigation revealed that since the 2008 Lacey Act amendments became law, Lumber Liquidators has imported millions of square feet of solid oak flooring from a manufacturer that freely describes its own illegal logging practices and is under scrutiny by Russian authorities for illegal logging in the most threatened temperate forest in the world. Companies violating the law must be held to account for the devastating impact of their indiscriminate sourcing practices on the forests and people of the world. Moreover, without action by governments to enforce laws like the Lacey Act, the final consumer will unwittingly remain the source of wealth that funds the mafias who are raiding the world's forests.



RECOMMENDATIONS

THE GOVERNMENT OF THE UNITED STATES SHOULD:

- Fully fund the 2008 Lacey Act amendments to ensure all relevant authorities have adequate resources to comprehensively implement the law, including modest investments for the Department of Agriculture's Animal and Plant Health Inspection Service (USD \$5.5 million), the Department of Interior's Fish and Wildlife Service (USD \$4 million) and the Department of State and the U.S. Agency for International Development (USD \$4 million).
- Investigate possible violations of the law and fully prosecute any known violations.
- Increase scrutiny at ports. Enforcement officials should avail themselves of well-established seizure and forfeiture provisions of U.S. law.
- Support the development of robust DNA and stable isotopic reference data sets in key supply countries and for key timber species to enable accurate determinations of country of harvest, and employ such innovative tracking technologies routinely in enforcement related activities.
- Make summary analyses of data collected through the Lacey Act declaration form (PPQ 505) publicly available.

THE GOVERNMENT OF CHINA SHOULD:

- Implement new regulations that prohibit the import of illegally sourced wood products, require importers to conduct due diligence throughout the supply chain, and establish proportionate and dissuasive penalties for non-compliance.
- Elevate responsibility for eradicating China's trade in illegal timber imports to a formal coordinating body comprising senior officials from Ministry of Commerce (MOFCOM), Ministry of Foreign Affairs, General Administration of Customs, as well as the State Forest Administration (SFA).
- Develop legally binding measures to ensure that Chinese forestry operations abroad follow national laws in host countries.
- Improve cross-border cooperation with Russian forest law enforcement and customs officials to investigate suspected illegal timber shipments entering China.
- Institute laws that criminalize corruption or bribery of foreign officials by Chinese companies, in line with anti-corruption policies and regulations in the UK and the US.

THE GOVERNMENT OF RUSSIA SHOULD:

- Adequately fund regional forestry bureaus to improve investigative, enforcement and supervisory capacity.

- Conduct a systematic reassessment of actual timber stocks in those regions most affected by illegal logging in order to set permitted logging volumes at sustainable levels.
- Enact and implement the new federal law, currently under debate, on regulation of roundwood trade, requiring complete information on timber origin, including concession of harvest, to be listed on transport documents accompanying all timber shipments.
- Conduct a thorough assessment of public offices involved in forest governance, including forest agencies at all levels, local law enforcement, prosecutors, and judiciary; investigate instances of suspected corruption and remove from office any actors known to be engaged in corrupt practices.
- Work bilaterally with destination countries, in particular China, to strengthen border control to ensure legal timber flows.

THE GOVERNMENT OF JAPAN SHOULD:

- Implement new regulations that prohibit illegal wood products, require importers to conduct due diligence throughout the supply chain and establish proportionate and dissuasive penalties for non-compliance.

THE EUROPEAN UNION SHOULD:

- Investigate possible violations of the EU Timber Regulation (EUTR) and fully prosecute any known violations.
- Ensure that all member states are fully implementing the EUTR.
- Make basic information about imports of wood products publicly available to enable independent review of compliance with the EUTR.
- Support the development of robust DNA and isotopic reference data sets in key supply countries to enable accurate determinations of country of harvest and employ such innovative tracking technologies routinely in enforcement related activities.

THE GOVERNMENT OF AUSTRALIA SHOULD:

- Investigate possible violations of the Australian Illegal Logging Prohibition Act and fully prosecute any known violations.
- Support the development of robust DNA and isotopic reference data sets in key supply countries to enable accurate determinations of country of harvest and employ such innovative tracking technologies routinely in enforcement related activities.

THE GOVERNMENT OF CANADA SHOULD:

- Investigate possible violations of the Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act (WAPPIITA), as well as its associated regulations, and fully prosecute any known violations.



- Pass new legislation requiring forest product importers to conduct due diligence throughout their supply chains.

THE GLOBAL FOREST PRODUCTS INDUSTRY SHOULD:

- Establish rigorous legality verification systems when sourcing Russian or Chinese timber and wood products.
- Request current, accurate documentation demonstrating legal origin, but do not rely solely on collecting such documents; ask probing questions of suppliers, conduct site visits, consult with local, knowledgeable stakeholders.

- Conduct periodic DNA or stable isotopic analysis on hardwood imports from China or Russia to determine whether the species and origin matches those claimed by your supplier.



GLOSSARY/ABBREVIATIONS

ABBREVIATIONS AND ACRONYMS

AAC	Annual Allowable Cut
CEO	Chief Executive Officer
CITES	Convention on International Trade in Endangered Species
CO ₂	Carbon dioxide
DNA	deoxyribonucleic acid
EIA	Environmental Investigation Agency, Inc.
EU	European Union
EUTR	European Union Timber Regulation
FLEGT	Forest Law Enforcement, Governance and Trade
FGHY	Fast Growing High Yield
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GTN	Global Timber Tracking Network
Ha	Heclare
INTERPOL	International Criminal Police Organization
km	kilometers
m ³	cubic meters
mm	millimeters
MOFCOM	Chinese Ministry of Foreign Commerce
NGO	Non-Governmental Organization
RFE	Russian Far East
RWE	Roundwood Equivalent
SFA	Chinese State Forestry Administration
TLVS	China's draft Timber Legality Verification Scheme
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States Dollar
WAPPRIITA	Canada's Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act
WWF	World Wildlife Fund

GLOSSARY

Amur tiger - (*Panthera tigris altaica*) Also known as Siberian Tiger, now found primarily in the RFE and Northeastern China. Numbers are estimated to be fewer than 450 in the wild.

Bill of Lading (BOL) - A legal document between the exporter of a particular good and the importer detailing the type, quantity and description of the good being carried. The bill of lading also serves as a receipt of shipment when the good is delivered at the destination.

"Black wood" - Chinese-language term commonly used to refer to wood that has been procured illegally.

Border & Economic Cooperation Zone - A Chinese State Council-approved industrial park created to promote trade. Established in 1999 in Suifenhe, on northeastern Chinese border with Russia.

Boreal forest - Also known as "taiga." An ecosystem characterized by coniferous forests of larch, pines and spruces. Boreal forest covers much of Russia and nearly all inhabited regions of Siberia and the RFE.

Clear-cutting - Logging practice of felling most or all trees in a given area.

Coniferous softwoods - Cone-bearing trees, such as pine, larch, spruce and fir.

Container - Primary form of intermodal storage used for shipping logs, timber and wood products. Dimensions are usually 20 feet (6.1 m) or 40 feet (12.19 m) long.

Federal Forest Code - Russian law revised in 2007 to shift more responsibility to provincial governments and to encourage domestic production of wood products.

Wood flooring types -

1. **Solid** - Flooring comprised of a solid piece of wood.
2. **Engineered** - Flooring that is comprised of multiple layers of veneer wood.
3. **Laminate** - Multi-layer synthetic product which is fused together under lamination process. This type of flooring simulates the appearance of wood.

Federal Forest Agency - Federal agency charged with managing state-owned forests throughout Russia. Provides a variety of services, including: (1) state forest inventory and forest husbandry; (2) forest pathology monitoring; (3) aerial forest fire protection operations.

Forest massif - Mountainous forested area.

Frontier forest - Forests that are relatively undisturbed and large enough to maintain all of their biodiversity, including viable populations of the wide-ranging species associated with each forest type.



Hardwood - Wood from angiosperm (flowering) trees, usually from broad-leaved species in temperate and boreal forests. Common hardwood species in the RFE include: oak, ash, linden (basswood), elm, birch.

Harvesting terms in RFE -

1. **Sanitary** - specially authorized cutting of diseased trees, or those damaged by fire or storms.
2. **Intermediate** - a practice of cutting small trees to provide room for larger trees to grow.

In practice, these two methods are widely abused as loopholes for logging of millions of cubic meters of healthy, valuable old-growth trees.

Korean pine - (*Pinus koraiensis*) tree species native to Northeastern Asia. Critical food species for deer and wild boar, which are the main prey for Siberian tigers.

Mixed Korean-pine broadleaved forest - A temperate and humid biome containing primarily hardwoods such as oak and ash, mixed with coniferous species including Korean pine.

Mongolian oak - (*Quercus mongolica*) A species of oak endemic to the RFE and Northeastern China.

Old growth - Refers to forests that are of significant age and have been left relatively undisturbed. These forests are high in biodiversity and exhibit diverse wildlife.

Plant quarantine certificate - Document stating that phytosanitary requirements have been met.

Protected area - Locations that receive protection due to a recognition of their ecological, cultural and/or natural value(s). Human exploitation of resources in these areas is limited.

Protective area - Russian designation for a special zone where commercial logging is restricted by law, including riverside forests, specially-allocated pine nut harvesting zones, and some nature reserves.

Forest Management Agency of Primorsky Province - Russian administrative body managing a large portion of forest in Siberian tiger habitat.

Roundwood log - Timber that is left in log form and has not been sawn or otherwise manipulated.

Secondary forest - Area which has recovered from a major disturbance, such as timber harvest or fire.

Silviculture - Management practice of controlling forests in planting, growth, composition, health, and quality to meet diverse needs and values of private owners and society in a sustainable manner.

Soviet Era - The period of the Union of Soviet Socialist Republics from roughly 1922 to 1991

Steppe - An ecoregion that is characterized by grassland plains that lack trees.

Stumpage fee - The price that is paid for the right to harvest timber from a given place.

Temperate forest - Forested areas that have high levels of precipitation, humidity and that contain a variety of deciduous trees.

Trans-Siberian railroad - System of railways that link Moscow to the Russian Far East on the Sea of Japan.

UNESCO World Heritage Site - A place that has been designated by UNESCO for its special cultural or physical significance.

Veneer - thin sheets of wood, with a thickness not exceeding six millimeters (less than a quarter of an inch), glued together and commonly used for manufacture of plywood and engineered flooring.

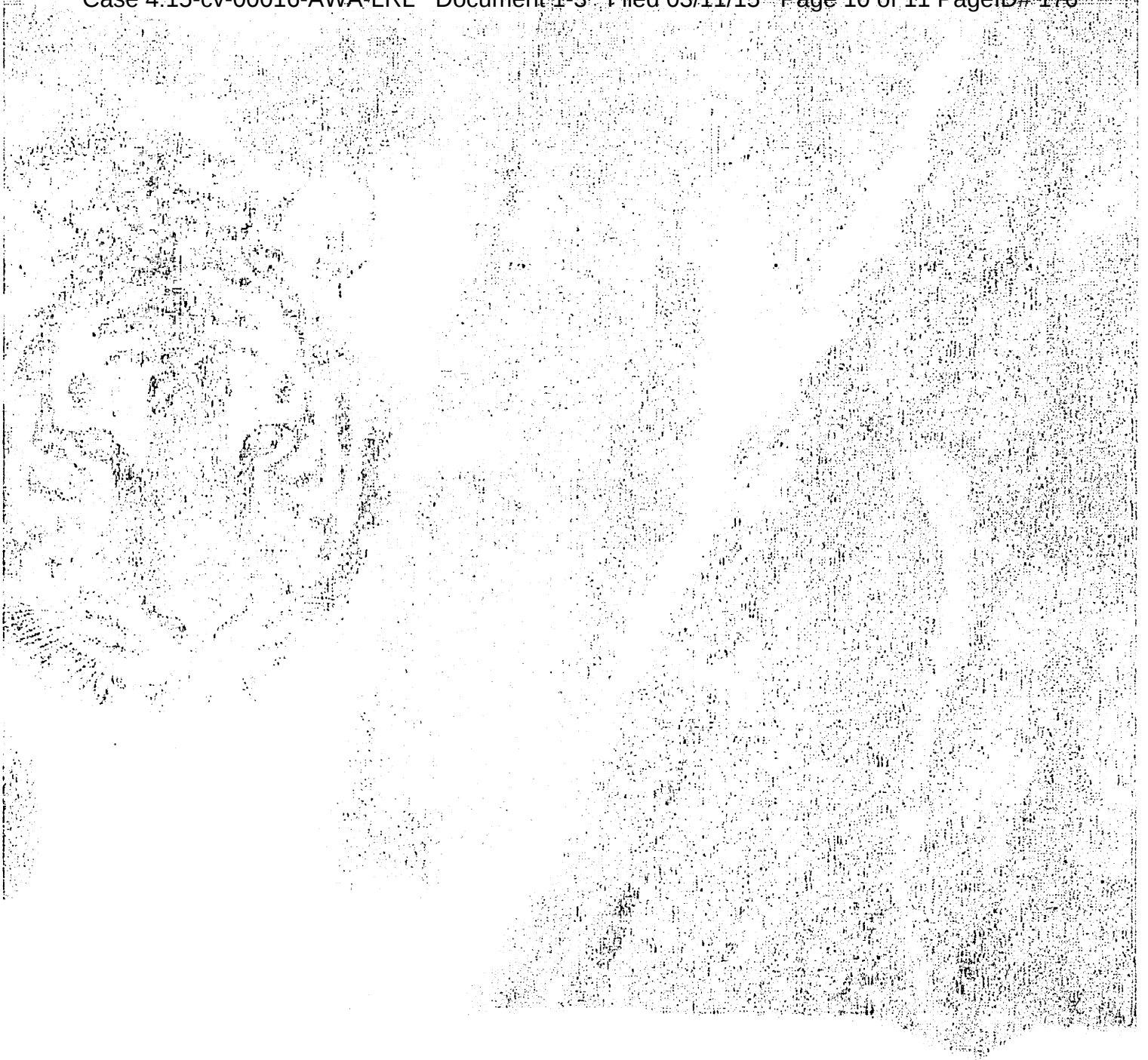
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155. Avchenko, V. (2011)
156. Russian Forest News. (2013)
157. Personal communication.
158. Smirnov et al. (2013)
159. Personal communication. In original Chinese language: 你看我们收的都是小户, 也比较多。这些小户, 你比方说他办125方的林票, 林业局规划, 就在这呢, 在这采125方, 里面有70方的成才, 剩下那些你烧火, 给你这么个林票, 实际上他可能采1000方, 他就用这个林票, 你每次养我的时候我就有这里林票。(老是这125?) 对。他租给他这一片实际上就是租赁, 就是租给你了, 你花点钱, 租赁期之内, 实际上你想采多少采多少。
160. Newell, J. et al. (2010)
161. Lebedev, A. (2005)
162. Environmental Investigation Agency, Inc. (2007). *Attention Wal-mart Shoppers: How Wal-mart's Sourcing Practices Encourage Illegal Logging and Threaten Endangered Species*.
163. Newell, J. (2004)
164. Personal communication.
165. Chinese customs data. (2011)
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168. Personal communication. In original Chinese language: 如果你发来信息, 国内现在掉松好, 给我打电话, 要什么规格的, 你心里有数, 各个规格买到价多少钱, 我这边及时, 发上给你组织发过去。
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170. Personal communication. In original Chinese language: 你只要是当时没有警察抓你, 或者是什么, 那就说就是我的。
171. Russian Ministry of Internal Affairs. (2013)
172. Percentage by volume (m³), Russian customs export data.
173. Personal communication.
174. Percentage by volume (m³), Russian customs export data.
175. Tian, Y. (2008)
176. Personal communication.
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181. Smirnov et al. (2013)
182. Lebedev, A. (2005)
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184. China News Network. (2013, April 20). *Suifenhe: Chinese-made household goods favored by Russians*. Retrieved from <http://finance.chinanews.com/cj/2013/04-20/4748330.shtml>
185. Sun, X. & Canby, K. (2010, November). *China: Overview of Forest Governance, Markets and Trade*. Forest Trends, for FLEGT Asia Regional Programme; Newell, Josh. (2008) *Strategies to Reduce Export of Illegal Timber from Russia to China*, WWF International.
186. Personal communication.
187. http://www.usitc.gov/research_and_analysis/tradeshifts/2010/forests.html
188. Personal communication. In original Chinese language: 中华人民共和国海关对加工贸易货物监管办法。
189. Personal communication. In original Chinese language: Mr. Du: 它是这样, 中国出口有两种, 有两种方式。一种是一般贸易, 一种是加工贸易。但是加工贸易都是原材料来自于国外, 这个在报关单上要体现出来。一般贸易不用体现, 体现树种就可以了。但是呢, 一般贸易在中国要上百分之十的关税。现在是这样。然后我们在中国的当地啊, 有的家都做那个加工贸易手册不是嘛。然后呢我们都花钱买它的。EIA: 那这样等于你就免税了是吧? Mr. Du: 不, 我们可以省税。我用人家的手册我要付给人家钱。因为本身你这个百分之十你不交了嘛, 然后呢他把他的手册给你, 就是说给你使用。一个小柜呢是6000块钱, 大柜是10000, 含报关报检加几点税, 基本上省一半的费用。EIA: 那那样的话你用名称用谁的啊? Mr. Du: 就是用加工贸易这家嘛, 谁的手册用谁家的。所有的单据, 名称, 发货人都是算张三的, 但是合同是跟兴佳签。EIA: 对啊, 我就说跟你签了的话, 这样的话我不知道这边报关会不会有问题? Mr. Du: 你那个报关不会有问题。那个合同咱们可以做两份, 一个你们国内报关用, 就是入境的时候用。咱们正常的贸易再做一份。
190. Chinese Customs book law: 中华人民共和国海关对加工贸易货物监管办法。
191. International Wood Markets Group. (2006); USITC. (2008)
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209. Lawson, S., and MacFaul, L. (2010)
210. Under U.S. Lacey Act, timber is "illegal" if taken, possessed, transported, or sold in violation of an underlying law in any foreign country or the U.S. Applicable laws include those which protect plants or regulate the following: theft of trees; taking trees from an officially protected area; taking trees without the required authorization; failure to pay appropriate royalties, taxes or fees associated with the plant's harvest, transport or commerce; or laws governing export or transshipment, such as a log export ban.
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212. Thomas Swegle, The Lacey Act and Due Care, Environment and Natural Resources Division, U.S. Department of Justice, <http://www.worldwildlife.org/what/globalmarkets/forests/WWFBinaryitem24868.pdf>.
213. In re Hulbig, 7 O.R.W. 266 (NOAA July 16, 1993), citing Newell v. Baldridge, 548 F. Supp. 39 (W.D. Wash. 1982) (wildlife importer failed to satisfy due care requirement by not inquiring about legality of shipper's operations); see also In re Vo, 2002 WL 31742934 (NOAA Oct. 22, 2002) (commercial fishermen). As quoted in Arnold and Porter.
214. Report of the Rural and Regional Affairs and Transport Legislation Committee of the Senate on the Illegal Logging Prohibition Bill 2011, Feb 2012, p41
215. The relevant provision in Canada's enabling legislation for CITES, which is called the Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act (WAPPIITA), states: *No person shall import into Canada any animal or plant that was taken, or any animal or plant, or any part or derivative of an animal or plant, that was possessed, distributed or transported in contravention of any law of any foreign state.* Section 6 (1)
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